

**REPORT OF THE AUDIT OF THE
FORMER BELL COUNTY
CLERK**

**For The Year Ended
December 31, 2013**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER BELL COUNTY CLERK

**For The Year Ended
December 31, 2013**

The Auditor of Public Accounts has completed the former Bell County Clerk's audit for the year ended December 31, 2013. Based upon the audit work performed, we have issued a qualified opinion on the financial statement.

Financial Condition:

Excess fees increased by \$36,645 from the prior year, resulting in excess fees of \$95,363 as of December 31, 2013. Receipts decreased by \$137,140 from the prior year and disbursements decreased by \$173,785.

Lease Obligations:

The former Bell County Clerk's office was committed to a copier lease, hardware service & software license and service agreements, and a fax lease during calendar year 2013. The ending balance of the copier lease was \$7,556 at December 31, 2013. The ending balance of the hardware service and software license and service agreements was \$0 at December 31, 2013. The ending balance of the fax lease was \$1,292 at December 31, 2013.

Report Comments:

- 2013-001 The Former County Clerk Should Have Maintained Documentation Sufficient To Complete An Audit And Ensured Receipts And Disbursements Ledgers Were Accurate
- 2013-002 The Former County Clerk's Office Lacked Adequate Segregation Of Duties Over Accounting And Reporting Functions For Receipts, Disbursements, Payroll, And Reconciliations
- 2013-003 The Former County Clerk Should Have Maintained Individual Earnings Records And Timesheets And All Wages Should Be Reported On W-2
- 2013-004 The Former County Clerk Had \$106 In Disallowed Disbursements
- 2013-005 The Former County Clerk Should Have Submitted The Annual Settlement To The Fiscal Court
- 2013-006 The Former County Clerk Should Have Settled Calendar Year 2009 Receivables And Liabilities Due Per Audit
- 2013-007 The Former County Clerk Should Have Settled Calendar Year 2010 Receivables And Liabilities Due Per Audit
- 2013-008 The Former County Clerk Should Have Settled Calendar Year 2011 Receivables And Liabilities Due Per Audit
- 2013-009 The Former County Clerk Should Have Settled Calendar Year 2012 Receivables And Liabilities Due Per Audit

**EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FORMER BELL COUNTY CLERK
For The Year Ended
December 31, 2013
(Continued)**

Deposits:

The former County Clerk's deposits as of September 9, 2013, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$799

The former County Clerk's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the former County Clerk's deposits in accordance with the security agreement.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS	4
NOTES TO FINANCIAL STATEMENT	8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15
COMMENTS AND RECOMMENDATIONS.....	19



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Former Bell County Clerk
The Honorable Rob Lincks, Interim Bell County Clerk
The Honorable Debbie Gambrel, Bell County Clerk
Members of the Bell County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and excess fees - regulatory basis of the former County Clerk of Bell County, Kentucky, for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Former Bell County Clerk
The Honorable Rob Lincks, Interim Bell County Clerk
The Honorable Debbie Gambrel, Bell County Clerk
Members of the Bell County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the former County Clerk, as of December 31, 2013, or changes in financial position or cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The former County Clerk did not provide a representation letter as required by auditing standards generally accepted in the United States of America.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters described above in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Clerk for the year ended December 31, 2013, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2015 on our consideration of the former Bell County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the former Bell County Clerk's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Former Bell County Clerk
The Honorable Rob Lincks, Interim Bell County Clerk
The Honorable Debbie Gambrel, Bell County Clerk
Members of the Bell County Fiscal Court

Other Reporting Required by Government Auditing Standards (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2013-001 The Former County Clerk Should Have Maintained Documentation Sufficient To Complete An Audit And Ensured Receipts And Disbursements Ledgers Were Accurate
- 2013-002 The Former County Clerk's Office Lacked Adequate Segregation Of Duties Over Accounting And Reporting Functions For Receipts, Disbursements, Payroll, And Reconciliations
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- 2013-009 The Former County Clerk Should Have Settled Calendar Year 2012 Receivables And Liabilities Due Per Audit

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

August 14, 2015

BELL COUNTY
BECKY BLEVINS, FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2013

Receipts

State Fees For Services:

Tax Bill Preparation	\$ 2,126	
Election/Board of Tax Appeal Reimbursements	200	
Affordable Housing Trust Fund	<u>18,834</u>	\$ 21,160

Fiscal Court:

Fiscal Court Salary	1,500	
Tax Bill Preparation	3,370	
Real Estate Conveyance for PVA	1,626	
County Reimbursement for FICA & Retirement	82,830	
Election Expense Reimbursements	<u>8,226</u>	97,552

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	609,954	
Child Victim Fund	20	
Usage Tax	1,218,354	
Lien Release	10,870	
Miscellaneous Income	1,590	
Tangible Personal Property Tax	1,506,641	
Notary Fees	12,860	

Other-

Marriage Licenses	7,704	
Occupational Licenses	270	
Deed Transfer Tax	23,490	
Delinquent Tax	<u>352,848</u>	3,744,601

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	9,599	
Real Estate Mortgages	25,677	
Chattel Mortgages and Financing Statements	48,972	
Powers of Attorney	1,243	
Lease	1,351	
Liens & Lis Pendens	7,125	
Releases	10,293	

The accompanying notes are an integral part of this financial statement.

BELL COUNTY
 BECKY BLEVINS, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2013
 (Continued)

Receipts (Continued)

Fees Collected for Services: (Continued)

Recordings- (Continued)

Wills, Estate Settlements	\$	712	
All Other Recordings		3,566	
Charges for Other Services-			
Candidate Filing Fees		2,400	
Copywork		11,107	
Notary Fees		<u>2,869</u>	\$ 124,914

Other:

Refunds/Overpayments			818
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Interest Earned		<u>1,043</u>	
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Total Receipts			3,990,088
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	428,760	
Usage Tax		1,181,802	
Tangible Personal Property Tax		510,960	
Licenses, Taxes, and Fees-			
Delinquent Tax		48,164	
Legal Process Tax		16,004	
Affordable Housing Trust		<u>19,152</u>	2,204,842

Payments to Fiscal Court:

Tangible Personal Property Tax		157,208	
Delinquent Tax		54,791	
Deed Transfer Tax		22,315	
Occupational Licenses		<u>152</u>	234,466

Payments to Other Districts:

Tangible Personal Property Tax		778,208	
Delinquent Tax		<u>149,459</u>	927,667

The accompanying notes are an integral part of this financial statement.

BELL COUNTY
 BECKY BLEVINS, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2013
 (Continued)

Disbursements (Continued)

Payments to Sheriff	\$	24,281	
Payments to County Attorney		42,802	
Operating Disbursements:			
Personnel Services-			
Deputies' Salaries	\$	230,123	
Employee Benefits-			
Employer's Share Social Security		23,827	
Employer's Share Retirement		60,809	
Contracted Services-			
Professional Services		990	
Contract Labor		755	
Office Equipment & Agreements		7,658	
Materials and Supplies-			
Office Supplies		6,330	
Other Charges-			
Conventions and Travel		1,704	
Dues		1,980	
Preparing Tax Bills		180	
Refunds		1,976	
Insurance and Bonds		522	
Election Expense		73	336,927
Debt Service:			
Hardware/Software License and Service Agreement		24,291	
Lease Purchases		5,408	29,699
Total Disbursements			3,800,684
Less: Disallowed Disbursements			
Lack of Supporting Documentation			106
Total Allowable Disbursements			<u>\$ 3,800,578</u>

The accompanying notes are an integral part of this financial statement.

BELL COUNTY
 BECKY BLEVINS, FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2013
 (Continued)

Disbursements (Continued)

Net Receipts		\$	189,510
Less: Statutory Maximum			<u>86,695</u>
Excess Fees			102,815
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>3,852</u>	<u>7,452</u>
Excess Fees Due County for 2013			95,363
Payment to Fiscal Court - February 12, 2014			<u>80,000</u>
Balance Due Fiscal Court at Completion of Audit		\$	<u><u>15,363</u></u>

The accompanying notes are an integral part of this financial statement.

BELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2013

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2013 services
- Reimbursements for 2013 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2013

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2013
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent for the first six months and 18.89 percent for the last six months.

The former County Clerk's contribution for calendar year 2011 was \$22,081, calendar year 2012 was \$70,181, and calendar year 2013 was \$60,809.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

BELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2013
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Bell County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The former Bell County Clerk did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of September 9, 2013, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former County Clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$799

Note 4. Grant

The former Bell County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$21,008 for the period July 1, 2013 to December 31, 2014.. No receipts or disbursements were made; therefore, the unexpended grant balance was \$21,008 as of December 31, 2013.

Note 5. Copier Lease

The office of the former County Clerk was committed to a lease agreement for a copier. The agreement requires a monthly payment of \$270 for 48 months to be completed on or before March 19, 2016. During the calendar year, the former County Clerk remitted lease payments totaling \$3,235 toward the ending balance. As of December 31, 2013, the ending balance of the agreement was \$7,556.

BELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2013
(Continued)

Note 6. Hardware Service and Software License & Service Agreements

The office of the former County Clerk was committed to hardware service agreements and a software license and service agreement with a software company. The leases ended June 15, 2013 with an automatic year renewal.

Note 7. Fax Lease

The office of the former County Clerk was committed to a lease agreement for a fax accessory. The agreement requires a monthly payment of \$51 for 46 months to be completed on or before March 16, 2016. During the calendar year, the former County Clerk remitted lease payments totaling \$558 toward the ending balance. As of December 31, 2013, the ending balance of the agreement was \$1,292.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Former Bell County Clerk
The Honorable Rob Lincks, Interim Bell County Clerk
The Honorable Debbie Gambrel, Bell County Clerk
Members of the Bell County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of receipts, disbursements, and excess fees - regulatory basis of the former Bell County Clerk for the year ended December 31, 2013, and the related notes to the financial statement and have issued our report thereon dated August 14, 2015. The former County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Bell County Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Bell County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2013-001, 2013-002, 2013-003, 2013-006, 2013-007, 2013-008, and 2013-009 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Bell County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2013-001, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, 2013-008, and 2013-009.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

August 14, 2015

COMMENTS AND RECOMMENDATIONS

BELL COUNTY
BECKY BLEVINS, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2013

FINANCIAL STATEMENT FINDINGS:

2013-001 The Former County Clerk Should Have Maintained Documentation Sufficient To Complete An Audit And Ensured Receipts And Disbursements Ledgers Were Accurate

The former County Clerk did not maintain or provide access to all the necessary records for the calendar year 2013 fee account. The following records were not available:

- Individual Earning Records and Timesheets (see comment # 2013-003)
- Kentucky Retirement Reports
- Delinquent Tax Reports
- Affordable Housing Trust Fund (AHTF) Reports
- Bank Statements for some months
- Monthly Bank Reconciliations

As a result, this information had to be obtained from outside sources. The Kentucky Retirement System provided the Kentucky Retirement Reports and the Kentucky Department of Revenue provided Delinquent Tax and AHTF Reports. Bank statements were obtained from the financial institution.

KRS 43.080(2) states, in part, that “the auditor shall have access at all times to the papers, books, and records... of any county officer who receives or disburses county funds.” In addition, effective internal controls require records be retained to ensure operations of the former clerk’s office are proper and adequately documented.

In addition, the former County Clerk’s receipts and disbursements ledgers were not accurate and required numerous audit adjustments and reclassifications. The former County Clerk did not reconcile these reports listed above to the receipts and disbursements ledgers. After obtaining the reports above, the following exceptions were noted:

- The former County Clerk’s 4th quarterly financial reported Affordable Housing Trust Fund (AHTF) receipts of \$18,834 and disbursements of \$23,982. After obtaining and reviewing AHTF reports from Department of Revenue Finance and Administration Cabinet, auditor decreased disbursements by \$4,830 which was an overpayment to state of \$3,367 and legal process paid to state in error as AHTF monies of \$1,463 for a total of \$19,152. The yearly total posted to the receipts ledger was \$318 less than the yearly total posted to the disbursements ledger after adjustment.
- Delinquent Reports obtained from Department of Revenue reports \$1,031 less in revenue than the Former County Clerk’s Receipts Ledger. Also, 5 delinquent tax checks did not clear the bank within 20 calendar days.
- The former County Clerk did not provide all bank statements or any monthly bank reconciliations to the auditors. Auditor contacted financial institution to obtain necessary statements to perform the audit.
- Payroll expenses reported on the 4th quarterly report were not accurate. The former County Clerk’s salary was reflected at net of withholdings and deductions, and employer’s withholdings for federal income tax, social security and Medicare were included with deputies’ salaries.

BELL COUNTY
 BECKY BLEVINS, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2013
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2013-001 The Former County Clerk Should Have Maintained Documentation Sufficient To Complete An Audit And Ensured Receipts And Disbursements Ledgers Were Accurate
 (Continued)

The above conditions resulted from the combination of inadequate segregation of duties and weakly designed and implemented internal controls as described in Comment 2013-002. Therefore, inaccurate reporting or misappropriation of receipts or disbursements could have occurred and not been detected or corrected in a timely manner.

The former County Clerk should have complied with KRS 43.080(2), by maintaining all original records necessary to complete the audit. The former Clerk should have also strengthened internal controls to ensure all records are properly maintained.

Former County Clerk's Response: No response.

2013-002 The Former County Clerk's Office Lacked Adequate Segregation Of Duties Over Accounting And Reporting Functions For Receipts, Disbursements, Payroll, And Reconciliations

The former County Clerk's office lacked adequate segregation of duties over the accounting and reporting functions for receipts, disbursements, payroll, and reconciliations of the Clerk's office. The former County Clerk was responsible for opening mail, preparing monthly reports, preparing, signing and distributing checks, as well as reviewing reports and reconciliations. During the calendar year, the former County Clerk had several in-house bookkeepers. These bookkeepers collected funds on front line and were responsible for reconciling receipts at the end of the day, prepared the daily deposit and posted the receipts to the receipt ledger. However, the former County Clerk also had access to the receipts and disbursements ledgers and could make entries. As stated in Comment 2013-001, several original documents were missing from the former County Clerk's office, therefore, no documentation was available to show review by bookkeeper or a deputy occurred during the audit period to document compensating controls.

A proper segregation of duties over the accounting and reporting functions is essential for accurate financial reporting and protection of employees in the normal course of performing their daily responsibilities. The lack of adequate segregation of duties increases the risk that errors could occur and not be detected.

The former County Clerk should have separated the duties involved in receiving cash, preparing deposits, writing checks, posting to the receipt and disbursement ledgers, preparing the monthly bank reconciliation, and preparing financial reports. If, due to budget constraints and limited staff size, that is not feasible, strong oversight over these areas should have occurred and involved an employee not performing any of those functions. If the former County Clerk chose to implement compensating controls, these procedures should have been documented through initials and dates on source documentation.

Former County Clerk's Response: No response.

BELL COUNTY
BECKY BLEVINS, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2013
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2013-003 The Former County Clerk Should Have Maintained Individual Earning Records And Timesheets And All Wages Should Be Reported On W-2

For calendar year 2013, Individual Earning Records or employees' timesheets of the former County Clerk's office could not be located. In addition, the former County Clerk's training incentive was not included at year end on the Wage and Tax Statement (W-2). KRS 337.320(1) states, "Every employer shall keep a record of... (b)The hours worked each day and each week by each employee..." Federal and State laws require employees to keep an accurate record of time worked in order to calculate employee pay and benefits. Furthermore, all wages, tips, and other compensation should have been included on the W-2 at year end. By not including all wages, tips, and other compensation on the W-2, amount withheld for taxes was also incorrect. Due to the former County Clerk not maintaining adequate payroll records she did not comply with federal and state regulations.

The former County Clerk should have required all employees, full time or part-time, to prepare a timesheet each pay period indicating the actual hours worked and any sick or vacation leave taken. The timesheet should have been signed by the employee indicating agreement with the hours worked, and reviewed and signed by their immediate supervisor or the County Clerk. We also recommend the former County Clerk amend her W-2 to report her training incentive.

Former County Clerk's Response: No response.

2013-004 The Former County Clerk Had \$106 In Disallowed Disbursements

The former County Clerk had \$106 in disallowed disbursements for lack of supporting documentation. Good internal controls dictate that the former clerk should have monitored disbursements to ensure supporting documentation was maintained for all disbursements. In Funk vs. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. Due to the missing invoice, we were unable to determine if the funds paid were necessary and beneficial to the public. The former County Clerk should deposit personal funds of \$106 to reimburse the 2013 fee account for this disallowed disbursement.

Former County Clerk's Response: No response.

2013-005 The Former County Clerk Should Have Submitted The Annual Settlement To The Fiscal Court

Per review of Fiscal Court minutes, on February 11, 2014 the former County Clerk submitted an annual settlement for calendar year 2013 and excess fees. However, a copy of the former Clerk's annual settlement was not located in the former Clerk's office, the County Judge's office, the Treasurer's office or as an attachment for the Fiscal Court minutes. KRS 64.152(1)(2) states, "In counties containing a population of less than seventy-five thousand (75,000) the county clerk shall provide the fiscal court by March 15 of each year a complete settlement for the preceding calendar year of all funds received by his

BELL COUNTY
 BECKY BLEVINS, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2013
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2013-005 The Former County Clerk Should Have Submitted The Annual Settlement To The Fiscal Court (Continued)

office in an official capacity or for official services and of all expenditures of his office including his salary, compensation of deputies and assistants and reasonable expenses. At the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants.” Without a complete statement of receipts and disbursements, the fiscal court cannot be sure that correct excess fees have been remitted. The former County Clerk should have presented the annual settlement to the Fiscal Court in accordance with KRS 64.152.

Former County Clerk's Response: No response.

2013-006 The Former County Clerk Should Have Settled Calendar Year 2009 Receivables And Liabilities Due Per Audit

Follow up of 2009 audit findings determined the former County Clerk's deficit has not been properly resolved. The following receivables and liabilities remain unsettled:

Receivables:

Unrecorded Overpayments Due To Taxpayers	\$	5,926
Unrecorded Receipts		219
Disallowed Disbursements (duplicate meal reimbursement and unsupported cleaning wages)		2,274
Training Refunds		430
Amount Due Personally From Clerk		8,849
Transfer due from 2012 fee account		1,623
Total Receivables:	\$	10,472

Liabilities:

Net Remaining Excess Fees Due To County	\$	4,174
Unrecorded Overpayments Due To Taxpayers		5,926
Kentucky State Treasurer		14
Kentucky County Clerk's Association		300
Refund Due Taxpayer		21
Withholding Due To Employee		31
Travel Expense Due To Employee		6
Total Liabilities:	\$	10,472

BELL COUNTY
 BECKY BLEVINS, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2013-006 The Former County Clerk Should Have Settled Calendar Year 2009 Receivables And Liabilities Due Per Audit (Continued)

* 2012 fee account is closed. Excess fees were overpaid to Fiscal Court before this transfer was made to the 2009 fee account. Former County Clerk should ask for reimbursement from Fiscal Court.

Good internal controls dictate that all receivables and liabilities are settled for each fee year when an official makes their annual settlement with fiscal court.

Since the former County Clerk's 2009 fee account has been closed, we recommend the former County Clerk open an escrow account and personally deposit \$8,849 to cover overpayments due to taxpayers, unrecorded receipts, disallowed disbursements, and training refunds. The former County Clerk should also ensure the transfer is made from the 2012 fee monies (see * above). After these receivables are deposited, the former County Clerk should remit the remaining liabilities detailed above. We have provided the former County Clerk a schedule of taxpayers due overpayments.

Former County Clerk's Response: No response.

2013-007 The Former County Clerk Should Have Settled Calendar Year 2010 Receivables And Liabilities Due Per Audit

Follow up of 2010 audit findings determined the former County Clerk's deficit has not been properly resolved. The following receivables and liabilities remain unsettled:

Receivables:

Unrecorded Overpayments Due To Taxpayers	\$ 14,431
Unrecorded Receipts	203
Disallowed Disbursements (Duplicate Payroll & FICA)	167
Amount Due Personally From Clerk	14,801
Transfer due from 2012 fee account	40
Excess Fees Overpaid (Due From) County	215
Total Receivables:	\$ 15,056

Liabilities:

Unrecorded Overpayments Due To Taxpayers	\$ 14,431
Kentucky State Treasurer	25
Kentucky County Clerk's Association	600
Total Liabilities:	\$ 15,056

* 2012 fee account is closed. Excess fees were overpaid to Fiscal Court before this transfer was made to the 2010 fee account. Former County Clerk should ask for reimbursement from Fiscal Court.

BELL COUNTY
 BECKY BLEVINS, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2013-007 The Former County Clerk Should Have Settled Calendar Year 2010 Receivables And Liabilities Due Per Audit (Continued)

Good internal controls dictate that all receivables and liabilities are settled for each fee year when an official makes their annual settlement with fiscal court.

Since the former County Clerk's 2010 fee account has been closed, we recommend the former County Clerk open an escrow account and personally deposit \$14,801 to cover overpayments due to taxpayers, unrecorded receipts and disallowed disbursements. The former County Clerk should also ensure the transfer is made from the 2012 fee monies (see * above) and the excess fee overpayment to the County is refunded. After these receivables are deposited, the former County Clerk should remit the remaining liabilities detailed above. We have provided the former County Clerk a schedule of taxpayers due overpayments.

Former County Clerk's Response: No response.

2013-008 The Former County Clerk Should Have Settled Calendar Year 2011 Receivables And Liabilities Due Per Audit

Follow up of the 2011 audit findings determined the former County Clerk's deficit has not been properly resolved. Although the former County Clerk made a personal deposit to cover outstanding liabilities, the overpayment due to the taxpayer, and the additional salary due to the former County Clerk has not yet been remitted. The following receivables and liabilities remain unsettled:

Receivables:

Excess Fees Overpaid (Due From) County	\$	437
Transfer due from 2012 fee account		6
Total Receivables:	\$	443

Liabilities:

Overpayment Due To Taxpayer:	\$	91
Additional Salary Due To Clerk		300
Excess Personal Deposit Due To Clerk		52
Total Liabilities:	\$	443

* 2012 fee account is closed. Excess fees were overpaid to Fiscal Court before this transfer was made to the 2011 fee account. Former County Clerk should ask for reimbursement from Fiscal Court.

BELL COUNTY
 BECKY BLEVINS, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2013-008 The Former County Clerk Should Have Settled Calendar Year 2011 Receivables And Liabilities Due Per Audit (Continued)

Good internal controls dictate that all receivables and liabilities are settled for each fee year when an official makes their annual settlement with fiscal court.

Since the former County Clerk's 2011 fee account has been closed, we recommend the former County Clerk open an escrow account and deposit the excess fee overpayment due from the County, and the transfer due from the 2012 fee monies (see * above) . After these receivables are deposited, the former County Clerk should remit the remaining liabilities as detailed above.

Former County Clerk's Response: No response.

2013-009 The Former County Clerk Should Have Settled Calendar Year 2012 Receivables And Liabilities Due Per Audit

Follow up of 2012 audit findings determined the former Clerk's 2012 receivables and liabilities remained unsettled:

Balance as of May 31, 2015	\$	3
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Receivables:

Due From 2013 Fee Account

Erroneous Payroll Transfer	\$	5,037	
Reimbursement for 2013 Lease Payments		1,806	
Reimbursement for 2013 Service Agreement		3,602	
Coal Severance Funds		4,437	
December 2012 FICA Reimbursement		2,508	
Total Due from 2013 Fee Account			17,390

Delinquent Tax Overpayment Due From Board of Education			298

Total Bank Balance and Receivables			\$ 17,691

Liabilities:

Due to County for Excess Fees			\$ 15,334
Due to 2013 Fee Account for Erroneous Transfer			688
Due To Escrow Account(s)			
For 2009 Fee Account Business	1,623		
For 2010 Fee Account Business	40		
For 2011 Fee Account Business	6		
Due to Escrow Account(s)			1,669

Total Liabilities			\$ 17,691

BELL COUNTY
BECKY BLEVINS, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2013-009 The Former County Clerk Should Have Settled Calendar Year 2012 Receivables And Liabilities Due Per Audit

Good internal controls dictate that all receivables and liabilities are settled for each fee year when an official makes their annual settlement with fiscal court. The receivables are for amounts that were deposited into the 2013 fee acct incorrectly.

We recommend the former County Clerk settle the 2012 Fee Account.

Former County Clerk's Response: No response.

